

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>Southwest Enforcement Team</b>	County
Audit Date <b>9/30/04</b>	Opinion Date <b>5/17/05</b>	Date Accountant Report Submitted to State: <b>8/10/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

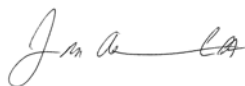
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

## We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Anderson &amp; Decker, P.C.</b>			
Street Address <b>P.O. Box 746</b>	Digitally signed by James M. Anderson, CPA DN: cn=James M. Anderson, CPA, c=US, o=Anderson & Decker, PC, email=jma@m33access.com Date: 2005.08.10 07:14:36 -04'00'	City <b>Roscommon</b>	State <b>MI</b>
Accountant Signature 		ZIP <b>48653</b>	Date <b>8/10/05</b>

**SOUTHWEST ENFORCEMENT TEAM  
ANNUAL FINANCIAL REPORT  
YEAR ENDED SEPTEMBER 30, 2004**

## SOUTHWEST ENFORCEMENT TEAM

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# Anderson & Decker, P.C.

**CERTIFIED PUBLIC ACCOUNTANTS**

245 Lake Street • P.O. Box 746 • Roscommon, MI 48653

## **INDEPENDENT AUDITORS' REPORT**

May 17, 2005

Southwest Enforcement Team  
P.O. Box 2600  
Battle Creek, MI 49016

We have audited the accompanying financial statements of the Southwest Enforcement Team as of and for the year ended September 30, 2004. These financial statements are the responsibility of the S.W.E.T.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of S.W.E.T. as of September 30, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the S.W.E.T. has implemented a new financial reporting model as required by the provisions of GASB Statement No.34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments, as amended and interpreted, as of September 30, 2004.

The management's discussion and analysis are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the S.W.E.T. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the component unit financial statements taken as a whole.

ANDERSON & DECKER, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2004

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the team as a whole.

Reporting the team as a whole

The Southwest Enforcement Team has \$202,476.21 in operating account and approximately \$99,000 in the non-adjudicated account as of May 5, 2005. Over the last three years the amount of money being spent, amount of money seized/forfeited and the amount of money SWET places in the operating account has been declining steadily. The amount of forfeitures currently is not keeping pace with expenses on a consistent basis. Over the last three months the totals are as follows:

	Jan 2005	Feb 2005	March 2005
Income	\$142,045.52	\$ 8,606.55	\$105,898.00
Expenses	\$ 51,807.25	\$36,142.29	\$ 31,341.70

This is do in part to the nature of forfeiture cases being settled sometimes years after seizure. In addition, the proliferation of Methamphetamine labs which not only contaminate the people but also the land and property would be cost prohibitive to start forfeiture proceedings. The team could possibly assume a large financial liability, which could decimate the units cash reserve.

In addition, the teams have been steadily losing personnel as the local agencies that participate have lost Revenue Sharing from the State of Michigan and they can no longer accept the economic burden placed on the departments themselves.

Economic Factors and Next Year's Budget

Over the last 6 months the team has worked extremely hard to reduce expenses, both through investigative costs but also utilities and vehicles. The team has returned nine (9) vehicles to the state, which should lead to a reduction of over \$70,000 in yearly operating expenses. No new equipment purchases have been made for some time.

The team has recently been advised that the Michigan State Police will be filling a vacant D/Lt. position which has been open since August of 2003 do in part to a retirement. It is hoped that the additional leadership will open new avenues for investigations and possible lead to an increase in the amount of forfeiture dollars received.

Contacting the Team's Management

This financial report is intended to provide our citizens with a general overview of the team's finances and to show the teams's accountability for the money it receives. If you have any questions about this report, contact the Commander Staff of the Southwest Enforcement Team.

SOUTHWEST ENFORCEMENT TEAM  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2004

ASSETS

Cash and equivalents	\$ 153,816
Prepaid Expenses	934
Due from other governmental units	2,949
Capital Assets - Net	<u>119,351</u>
Total Assets	<u>277,050</u>

LIABILITIES

Liabilities	
Accounts payable	<u>66,870</u>
Total Liabilities	<u>66,870</u>

NET ASSETS

Investment in Capital Assets	119,351
Unrestricted	<u>90,829</u>
Net Assets	<u>\$ 210,180</u>

The accompanying notes are an integral part of these statements

SOUTHWEST ENFORCEMENT TEAM  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2004

Program Expenses	
Wages	\$ 108,180
Investigative expenditures	42,772
Forfeiture expenditures	11,901
Grant match expenditures	124,596
Administrative	5,981
Utilities	11,006
Communications	18,310
Contract Services	3,724
Repairs & maintenance	4,401
Rent	12,084
Equipment lease	1,100
Team supplies	9,202
Vehicles	123,704
Training	4,545
Depreciation Expense	<u>9,504</u>
 Total Program Expenses	 <u>491,010</u>
 General Revenues	
Forfeitures and restitution	237,476
Rent	8,150
Interest	3,400
Other	<u>10,547</u>
 Total General Revenues	 <u>259,573</u>
 Change in Net Assets	 (231,437)
 Net Assets	
Beginning of year	<u>441,617</u>
End of year	<u><u>\$ 210,180</u></u>

The accompanying notes are an integral part of these statements.

SOUTHWEST ENFORCEMENT TEAM  
BALANCE SHEET  
SEPTEMBER 30, 2004

ASSETS

Cash demand and investments	\$ 153,816
Prepaid expenses	934
Due from other governmental units	<u>2,949</u>

Total Assets	<u><u>\$ 157,699</u></u>
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LIABILITIES AND FUND EQUITY

Liabilities	
Accounts payable	<u>\$ 66,870</u>

Total Liabilities	<u>66,870</u>
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Fund Equity

Fund balance	<u>90,829</u>
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Total Fund Equity	<u>90,829</u>
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Total Liabilities and Fund Equity	<u><u>\$ 157,699</u></u>
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The accompanying notes are an integral part of these statements



SOUTHWEST ENFORCEMENT TEAM  
RECONCILIATION OF THE BALANCE SHEET FUND BALANCE TO  
THE STATEMENT OF NET ASSETS  
FOR THE YEAR ENDED  
SEPTEMBER 30, 2004

Total governmental fund balance	\$ 90,829
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Amounts reported for governmental activities in  
the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>119,351</u>
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Net assets of governmental activities	<u><u>\$ 210,180</u></u>
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The accompanying notes are an integral part of these statements.

SOUTHWEST ENFORCEMENT TEAM  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
SEPTEMBER 30, 2004

REVENUES	
Forfeitures and restitution	\$ 237,476
Rent	8,150
Interest	3,400
Other	<u>10,547</u>
Total Revenues	<u>259,573</u>
EXPENDITURES	
Wages	108,180
Investigative expenditures	42,772
Forfeiture expenditures	11,901
Grant match expenditures	124,596
Administrative	5,981
Utilities	11,006
Communications	18,310
Contract Services	3,724
Repairs & maintenance	4,401
Rent	12,084
Equipment lease	1,100
Team supplies	9,202
Vehicles	123,704
Training	4,545
Equipment purchase	<u>33,336</u>
Total Expenditures	<u>514,842</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(255,269)
FUND BALANCE, beginning of year	<u>346,098</u>
FUND BALANCE, end of year	<u><u>\$ 90,829</u></u>

The accompanying notes are an integral part of these statements.

SOUTHWEST ENFORCEMENT TEAM  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2004

Net Change in fund balance-total governmental funds \$ (255,269)

Amounts reported for governmental activities  
in the statement are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. Equipment retirement is recorded as an expenditure credit in governmental funds, but not recorded as an expense in the statement of activities.

23,832

Change in net assets of governmental activities.

\$ (231,437)

See accompanying notes to the basic financial statements.

SOUTHWEST ENFORCEMENT TEAM  
STATEMENT OF FIDUCIARY FUND NET ASSETS  
NON-ADJUDICATED FIDUCIARY FUND  
SEPTEMBER 30, 2004

<u>ASSETS</u>	
Cash	\$ 105,713
Total Assets	<u>105,713</u>
<u>LIABILITIES</u>	
Seized assets pending judgement	<u>105,713</u>
Total Liabilities	<u>105,713</u>
<u>NET ASSETS</u>	
Net Assets Held in Trust for Other Governments	<u>\$ -0-</u>

See accompanying notes to the basic financial statements.

SOUTHWEST ENFORCEMENT TEAM  
STATEMENT OF CHANGES IN FIDUCIARY FUND NET ASSETS  
NON-ADJUDICATED FIDUCIARY FUND  
SEPTEMBER 30, 2004

ADDITIONS	
Seizures	<u>\$ 32,740</u>
Total Additions	<u>32,740</u>
DEDUCTIONS	
Payments to S.W.E.T.	7,990
Payments pending judgement	<u>24,750</u>
Total Deductions	<u>32,740</u>
Change in Net Assets	<u>-0-</u>
Net Assets Held in Trust for Other Governments - October 1	<u>-0-</u>
Net Assets Held in Trust for Other Governments - September 31	<u><u>\$ -0-</u></u>

See accompanying notes to the basic financial statements.

SOUTHWEST ENFORCEMENT TEAM  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Southwest Metropolitan Enforcement Team conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant policies:

(1) Defining the Reporting Entity

The criteria established for determining the reporting entity include oversight responsibility, scope of public service, and special financing relationships. Only the activities of S.W.E.T. are included in these financial statements. S.W.E.T. is operated under an interagency agreement which includes the counties of Calhoun, Kalamazoo, Cass, Van Buren, and St. Joseph; the cities of Portage, Battle Creek, Kalamazoo, Springfield, Southaven; Kalamazoo Township; and the Michigan State Police. The purpose of this alliance is to establish a cooperative force combining their investigative services, manpower and/or resources for enforcement of Michigan controlled substances laws and related criminal activity.

IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

**Governmental Accounting Standards Board Statement No.34**

For the fiscal year ended September 30, 2004 S.W.E.T implemented GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* (GASB 34). This statement affects the manner in which S.W.E.T. records transactions and presents financial information.

State and local governments have traditionally used a financial reporting model substantially different from the one used to prepare private-sector financial reports. GASB 34 establishes new requirements and a new reporting model, much like private-sector financial reports, for the annual financial reports of state and local governments. The new format was developed to make annual reports of state and local governments easier to understand and more useful to users of governmental financial information.

*Management's Discussion and Analysis*-GASB 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of S.W.E.T.'s financial activities in the form of management's discussion and analysis (MD&A). This analysis is similar to the analysis provided in the annual reports of private-sector organizations.

SOUTHWEST ENFORCEMENT TEAM  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Government-Wide Financial Statements*-The reporting model includes financial statements prepared using full accrual accounting for all S.W.E.T.'s activities. This approach includes not just current assets and liabilities, but also capital and other long-term assets as well as long-term liabilities. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter. Government-wide financial statements include the following:

*Statement of Net Assets*-The statement of net assets is designed to display the financial position of the Primary Government (governmental and business-type activities) and the total of its discretely presented component parts. S.W.E.T. reports capital assets in the government-wide statement of net assets and reports depreciation expense-the cost of "using up" capital assets-in the statement of activities. The net assets of S.W.E.T. are broken down into three categories-1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

*Statement of Activities*-The statement of activities reports expenses and revenues in a format that focuses on the cost of each of S.W.E.T.'s functions. The expense of individual functions is compared to the revenue generated directly by the function. Accordingly, S.W.E.T. has recorded capital assets and certain other long-term assets and liabilities in the statement of net assets and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statement of activities. Implementation of GASB 34 has had a significant impact on S.W.E.T.'s financial statements for the year ended September 30, 2004.

**Governmental Accounting Standards Board Statement No.37**

For the fiscal year ended September 30, 2004, S.W.E.T. implemented GASB Statement No. 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus* (GASB 37). This statement amends GASB 34 to either: 1) clarify certain provisions, or 2) modify other provisions that GASB believes may have unintended consequences in some circumstances. Accordingly, S.W.E.T. considered the effects of this statement when implementing the provisions of GASB 34, as previously described.

DONATED SERVICES

Personnel for the operations of S.W.E.T. are provided by the law enforcement agencies whose officers are working with S.W.E.T. No expense or revenue has been recorded for these donated services in the books and records of S.W.E.T.

SOUTHWEST ENFORCEMENT TEAM  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

BASIS OF PRESENTATION-GOVERNMENT WIDE FINANCIAL STATEMENTS

The government-wide financial statements include the Statement of Net Assets and the Statement of Activities. These statements report financial information on the S.W.E.T. as a whole, excluding fiduciary activities for non-adjudicated funds.

The Statement of Net assets presents S.W.E.T.'s assets and liabilities with the difference being reported as either invested in capital assets, net of related debt or restricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by general revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

BASIS OF PRESENTATION-FUND FINANCIAL STATEMENTS

Separate financial statements are provided for the operating fund (governmental fund) and the fiduciary fund. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions.

GENERAL FUND

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derives primarily from forfeitures and restitution, interest on savings accounts and miscellaneous income.

FIDUCIARY FUNDS

These funds are used to account for assets held in trust or as an agent for others. Non-adjudicated activities are recorded in this category. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No.34.



SOUTHWEST ENFORCEMENT TEAM  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2004

MEASUREMENT FOCUS/BASIS OF ACCOUNTING-GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year of which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

MEASUREMENT FOCUS/BASIS OF ACCOUNTING-FUND FINANCIAL STATEMENTS

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities for the current period. For this purpose, the unit considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CAPITAL ASSETS AND DEPRECIATION

The S.W.E.T.'s property, plant, and equipment, with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The unit generally capitalizes assets with historical cost of normal maintenance more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Computers and peripherals	1-3 years
Office furniture	5-20 years
Vehicles	4-7 years
Buildings and improvements	25-40 years
Land improvements	10-20 years
Machinery and equipment	5-10 years

Land and construction in progress are not depreciated.

SOUTHWEST ENFORCEMENT TEAM  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DEPOSITS AND INVESTMENTS

The S.W.E.T.'s cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from date of acquisition.

State statutes authorize a governmental unit other than S.W.E.T. to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The governmental unit is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

NOTE B - CASH AND INVESTMENTS

S.W.E.T.'s adjudicated and nonadjudicated checking accounts are maintained by the Township of Kalamazoo. These funds are received and disbursed for S.W.E.T.'s general operations. Deposits made by the Township with financial institutions consists of interest and noninterest bearing checking accounts, savings accounts, and certificates of deposit. The Township maintains a pooled general checking account and a pooled payroll checking account which are shared by various funds and component units. The amount held by the Township on 9/30/04 was \$207,129. The amount of FDIC insurance coverage related to S.W.E.T.'s funds are unknown.

NOTE C - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

During the year ended September 30, 2004, S.W.E.T. incurred expenditures in excess of appropriations as follows:

<u>Fund</u>	<u>Amended Budgeted</u>	<u>Actual</u>	<u>Variance</u>
General fund:			
Wages	\$104,000	\$ 108,180	\$ (4,180)
Investigative expenditures	35,000	42,772	(7,772)
Grant Match expenditures	98,000	124,596	(26,596)
Contract services	3,000	3,724	(724)
Team supplies	8,500	9,202	(702)
Vehicles	120,000	123,704	(3,704)
Equipment purchase	45,000	33,336	(28,836)

SOUTHWEST ENFORCEMENT TEAM  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2004

NOTE D - CAPITAL ASSETS

The following is a summary of changes in the Capital Assets:

	<u>Balance 10/01/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/04</u>
Capital Assets Being Depreciated:				
Buildings Improvements	\$ 85,223	\$ 22,236	\$ -0-	\$ 107,460
Equipment	<u>43,613</u>	<u>11,100</u>	<u>-0-</u>	<u>54,712</u>
Total	<u>128,836</u>	<u>33,336</u>	<u>-0-</u>	<u>162,172</u>
Less Accumulated Depreciation:				
Buildings Improvements	8,325	3,483	-0-	11,808
Equipment	<u>24,992</u>	<u>6,021</u>	<u>-0-</u>	<u>31,013</u>
Total	<u>33,317</u>	<u>9,504</u>	<u>-0-</u>	<u>42,821</u>
 Total Net Capital Assets	 <u><u>\$ 95,519</u></u>	 <u><u>\$ 23,832</u></u>	 <u><u>\$ -0-</u></u>	 <u><u>\$ 119,351</u></u>

## **REQUIRED SUPPLEMENTAL INFORMATION**

SOUTHWEST ENFORCEMENT TEAM  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED SEPTEMBER 30, 2004

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Variance Favorable Unfavorable
REVENUES				
Forfeitures and restitution	\$	\$	\$ 237,476	\$
Rent			8,150	
Interest			3,400	
Other			10,547	
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Revenues	(1) 472,500	(1) 472,500	259,573	(212,927)
EXPENSES				
Wages	104,000	104,000	108,180	(4,180)
Investigative expenditures	35,000	35,000	42,772	(7,772)
Forfeiture expenditures	25,000	25,000	11,901	13,099
Grant match expenditures	98,000	98,000	124,596	(26,596)
Administrative	10,000	10,000	5,981	4,019
Utilities	12,000	12,000	11,006	994
Communications	22,000	22,000	18,310	3,690
Contract Services	3,000	3,000	3,724	(724)
Repairs & maintenance	5,000	5,000	4,401	599
Rent	13,000	13,000	12,084	916
Equipment lease	3,500	3,500	1,100	2,400
Team supplies	8,500	8,500	9,202	(702)
Vehicles	120,000	120,000	123,704	(3,704)
Training	9,000	9,000	4,545	4,455
Equipment purchase	4,500	4,500	33,336	(28,836)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Expenses	472,500	472,500	514,842	(42,342)
EXCESS OF REVENUE OVER (UNDER) EXPENSES	-0-	-0-	(255,269)	(255,269)
FUND BALANCE, beginning of year	<u>346,098</u>	<u>346,098</u>	<u>346,098</u>	<u>-0-</u>
FUND BALANCE, end of year	<u>\$ 346,098</u>	<u>\$ 346,098</u>	<u>\$ 90,829</u>	<u>\$ (255,269)</u>

(1) Budgeted in total only.

The accompanying notes are an integral part of these statements.

**SOUTHWEST ENFORCEMENT TEAM**

**REPORT TO MANAGEMENT**

**SEPTEMBER 30, 2004**



# Anderson & Decker, P.C.

**CERTIFIED PUBLIC ACCOUNTANTS**

245 Lake Street • P.O. Box 746 • Roscommon, MI 48653  
(989) 275-8831

May 17, 2005

Executive Board  
Southwest Enforcement Team  
P.O. Box 2600  
Battle Creek, MI 49016

In planning and performing our audit of the financial statements of the Southwest Enforcement Team, as of and for the year ended September 30, 2004, we considered S.W.E.T.'s accounting, operational, and internal control procedures to determine the nature and extent of our audit testing for the purpose of expressing an opinion on the financial statements of S.W.E.T. and not to provide assurance on the procedures themselves.

We did however, during the course of our audit, become aware of certain matters that are opportunities for enhancing those procedures or controls. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated May 17, 2005, on the financial statements of S.W.E.T.

We have already discussed these comments and suggestions with S.W.E.T.'s personnel, and We will be pleased to discuss them in further detail at your convenience, and/or to perform any additional studies of these matters, should you so desire.

Sincerely,

ANDERSON & DECKER, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

### **Non-Adjudicated Trust**

Cash confiscated during drug seizures is kept in the vault until the court determines its fate. The cash is kept only for evidence or deposited with the Township. We therefore recommend that cash accounts be maintained on the computer system for the Non-Adjudicated Agency Fund to account for the cash received and disbursed while being held in the vault and non-adjudicated funds held by the Township. These accounts should be reconciled with the evidence on a monthly basis. This will provide an inventory of cash to reconcile with the Township at any time and an accounting of both activities.

### **General Ledger**

The Township of Kalamazoo receives and disburses all of S.W.E.T.'s monies. Therefore, the Township maintains a set of records showing all of the deposit and disbursement requests provided to them. S.W.E.T. also maintains an accounting system showing the activity in each account. During the audit we performed a reconciliation of the accounts for the entire year resulting in several adjustments. The bookkeeper attempted to reconcile the activity each month but numerous transactions were missed. The reconciliation should also include the Townships beginning and ending balances. We recommend that the bookkeeper perform a reconciliation with the Township each month including both adjudicated and non-adjudicated balances and maintain the documents to prove this.

### **Cash Disbursements**

S.W.E.T. provides cash bags to each team leader for investigative costs. These bags are maintained and reconciled by each team leader and the bookkeeper responsible for reimbursement. During the audit significant time was spent reconciling multiple months of chit sheets to reimbursements and segregating the various investigative expenses that were grouped into "operating costs". We recommend that reconciliations be performed monthly and the reimbursement that is recorded into the accounting system according to the specific investigative expenses.